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SUBJECT: Kenya Improves Governance and Public Services

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11. (SBU) Summary: Stung by a series of reports showing poor public services and governance, and recognizing that improvements were needed to boost investment, economic growth and job creation, the GOK has used Results Based Management (RBM), performance contracts, and a Rapid Results Approach (RRA) to make significant progress. The GOK is also implementing policies to promote gender equality in the civil service. The UN gave Kenya a Public Service Award for its use of performance contracts, and President Kibaki hosted an awards ceremony to highlight the best performing GOK agencies. USAID is implementing the \$12.7 million Millennium Challenge Account (MCA) Threshold Program to reduce corruption in the GOK's procurement process, with initial emphasis on the health care supply chain. Kenya, however, still has to make major improvements in governance and public service delivery, including building capacity at the line ministries responsible for infrastructure, to achieve President Kibaki's 10% growth goal by 2012 -- and to become a full MCA-eligible country. End Summary.

#### Results Based Approach to Governance

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12. (U) In September 2004, the Government of Kenya (GOK) adopted a Results Based Approach (RBA) to improve the quality of public service. A GOK circular of April 6, 2005 required GOK agencies and parastatals to implement a Results Based Management (RBM) system, using the Rapid Results Approach (RRA) as a tool that several ministries had already successfully pilot-tested. GOK agencies have applied the RRA methodology through 100-day initiatives commonly referred to as Rapid Results Initiatives (RRI) that have improved governance and the business environment. In 2006, the GOK also began requiring all 38 ministries, 130 state corporations and 135 local authorities countrywide to sign performance contracts, and publicly rated agencies on their achievements at the end of the year. The GOK efforts promoting performance-based contracts and the RRI are both components of the Public Service Reform program the GOK began in 1993, but deepened in 2004 with the appointment of a Permanent Secretary to spearhead the reform.

#### Kibaki Names and Shames Performers

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13. (U) On December 8, 2006, in a public ceremony at the Kenyatta International Conference Centre with all ministers and heads of public agencies and state corporations present, President Kibaki officially released the Performance Evaluation Results for Public Agencies. The evaluation was done by private consultants, who measured agencies' performance against the performance contracts

they signed in 2005 to improve delivery of public services. Stating that public service is the key driver to national development and economic performance, President Kibaki handed out trophies to the highly rated Ministries (Agriculture, National Heritage, and Tourism), and scolded the poor performers (Housing, Attorney General, Ministry of Foreign Affairs, and the Vice President's Ministry of Home Affairs). The best parastatal was Kenya Seed Company, while the worst were two sugar companies and TelKom Kenya.

#### Improvements Achieved and Recognized

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¶4. (U) Since the launch of the reform initiatives, key achievements include reducing the time to receive a passport from 40 to 20 days, a birth or death certificate from 14 to 5 working days, and to register a company from an average of 60 days to 14 days. The GOK also terminated three hundred business licenses or fees to cut red tape for the private sector.

¶5. (U) In April 2007, the Head of Kenya's Public Service issued a circular directing all GOK agencies to implement RRI to expedite the achievement of national goals and priorities. Those institutions that have already implemented RRI must scale it up and those not on RRIs must launch them by the start of the fiscal year on July 1. On May 24, the UN announced that it had given a Public Service award to Kenya's Performance Contracts Steering Committee Secretariat for its use of Performance Contracts to improve transparency, accountability and responsiveness in the public service.

#### Public Service Gender Balance Initiative

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¶6. (U) A Presidential directive last year requires at least 30 percent of vacancies in the public service, including in government-owned corporations, to be filled by women. The Public Service Commission and the State Corporations Advisory Board are

monitoring the implementation of this directive. For example, in the recent recruitment of District Officers, women make up 100 out of the total 300 recruits.

#### MCA Public Sector Procurement Reform

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¶7. (U) Major corruption has long marred Kenya's public procurement. The critical problems identified by the 2005 joint GOK/EU review of Kenya's procurement systems included weak oversight institutions, a lack of transparency, poor linkages between procurements and expenditures, delays and inefficiencies, and poor records management. USAID is implementing the \$12.7 million MCA Threshold Program to overhaul the public procurement system, with initial emphasis on the health care supply chain. As a leading donor in both the Public Financial Management and Health sectors, the USG is well placed to extend procurement reform efforts to improve management of public health resources. USAID coordinates the Threshold Program with the GOK's Public Financial Management reform strategy and with joint GOK-donor reform efforts in the Health sector.

¶8. (U) The goal of the MCA Threshold Program is to improve Kenya's control of corruption by reducing opportunities for corruption among public officials. It will empower the Government to curb corruption more effectively by establishing the Public Procurement Oversight Authority as an anti-corruption institution and improving supply chain management to reduce leakage in the health sector. The Kenya Threshold Program will:

- Strengthen the capacity of the newly created Public Procurement Oversight Authority to implement the GOK's new procurement regulations through enhanced technology, exchange programs, and training of staff;
- Develop and roll out an e-procurement system in five key ministries - Office of the President, Education, Roads and Public Works, Energy and Health;
- Develop and implement new procurement regulations and guidelines; and,

- Institute proper records management protocols for public procuring entities.

#### Challenges Remain

¶9. (SBU) Despite these accomplishments, serious challenges remain. Schools and vocational training facilities cannot meet the demand generated by the Government's decision in late 2006 to make primary level education free. The Government has plans to do the same for secondary level education this year. The GOK legally established the Public Procurement Oversight Authority by gazetting the regulations on January 1, 2007, but the Advisory Board is not yet formally established. The GOK plans to gazette an Interim Advisory Board in June with all the powers of the Advisory Board, except to hire the permanent DG, after it finishes vetting the appointees and Parliament returns from recess.

¶10. (U) The Ministry of Finance's Public Expenditure Review (PER) 2006 noted serious weaknesses in the budget execution and asked all implementing agencies to urgently address institutional and human capacity bottlenecks.

#### Comment

¶11. (SBU) The GOK's use of Results Based Management, performance contracts, Rapid Results Approach and the promotion of gender balance has led to improvements in governance and public service. Congratulations are in order. However, the process is starting from a low base, and is still in its early stages. Fourteen days to register a business still compares poorly with many other countries, and nearly one thousand business licenses and fees remain to be consolidated or terminated. It is also likely that GOK agencies will try to set lower goals in their next round of performance contracts to ensure success. Kenyans and the private sector welcome any improvements in public service performance, especially in procurement and anti-corruption. However, donors and Kenyan watchdogs will have to continue monitoring the process closely to keep the process on track and prevent backsliding. End comment.

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